

Assembly Bill No. 197

CHAPTER 250

An act to amend Sections 15679.1, 16101, 16901, 16903, 16905, 16906, 16907, 16911, 16914, 16915, 16916, and 17600 of, and to add Article 7.4 (commencing with Section 15677.1) to Chapter 3 of Title 2 of, and to add Chapter 11.5 (commencing with Section 17540.1) to Title 2.5 of, the Corporations Code, relating to legal entities.

[Approved by Governor August 30, 1999. Filed with
Secretary of State August 30, 1999.]

LEGISLATIVE COUNSEL'S DIGEST

AB 197, Ackerman. Limited partnerships and limited liability companies: conversion.

Existing provisions of the California Revised Limited Partnership Act govern limited partnerships. Limited liability companies are regulated pursuant to the Beverly-Killea Limited Liability Company Act.

This bill would specify a comprehensive scheme for the conversion of limited partnerships and limited liability companies into an other business entity (defined to include a corporation, business trust, and real estate investment trust), or a foreign limited partnership or a foreign limited liability company, as applicable, subject to certain conditions. The bill would also specify certain service of process requirements with respect to the merger or conversion of partnerships to other business entities and the surviving domestic or foreign business entities.

The people of the State of California do enact as follows:

SECTION 1. Article 7.4 (commencing with Section 15677.1) is added to Chapter 3 of Title 2 of the Corporations Code, to read:

Article 7.4. Conversion

15677.1. For purposes of this article, the following definitions shall apply:

(a) "Converted entity" means the other business entity or foreign limited partnership that results from a conversion of a domestic limited partnership under this chapter.

(b) "Converted limited partnership" means a domestic limited partnership that results from a conversion of an other business entity or a foreign limited partnership pursuant to Section 15677.8.

(c) “Converting limited partnership” means a domestic limited partnership that converts to an other business entity or a foreign limited partnership pursuant to this chapter.

(d) “Converting entity” means an other business entity or foreign limited partnership that converts to a domestic limited partnership pursuant to the terms of Section 15677.8.

15677.2. A limited partnership may be converted into an other business entity or a foreign limited partnership pursuant to this article if, pursuant to the proposed conversion, each of the partners of the converting limited partnership receives a percentage interest in the profits and capital of the converted entity equal to that partner’s percentage interest in profits and capital of the converting limited partnership as of the effective time of the conversion. The conversion of a limited partnership to an other business entity or a foreign limited partnership may be effected only if both of the following conditions are satisfied:

(a) The law under which the converted entity will exist expressly permits the formation of that entity pursuant to a conversion.

(b) The limited partnership complies with all other requirements of any other law that applies to conversion to the converted entity.

15677.3. (a) A limited partnership that desires to convert to an other business entity or a foreign limited partnership shall approve a plan of conversion. The plan of conversion shall state all of the following:

(1) The terms and conditions of the conversion.

(2) The place of the organization of the converted entity and of the converting limited partnership and the name of the converted entity after conversion.

(3) The manner of converting the limited and general partnership interests of each of the partners into securities of, or interests in, the converted entity.

(4) The provisions of the governing documents for the converted entity, including the partnership agreement or limited liability company articles of organization and operating agreement, to which the holders of interests in the converted entity are to be bound.

(5) Any other details or provisions that are required by the laws under which the converted entity is organized, or that are desired by the parties.

(b) The plan of conversion shall be approved by all general partners of the converting limited partnership and by a majority in interest of each class of limited partners of the converting limited partnership, unless a greater or lesser approval is required by the partnership agreement of the converting limited partnership. However, if the limited partners of the limited partnership would become personally liable for any obligations of the converted entity as a result of the conversion, the plan of conversion shall be approved by all of the limited partners of the converting limited partnership,



unless the plan of conversion provides that all limited partners will have dissenters' rights as provided in Article 7.6 (commencing with Section 15679.1).

(c) Upon the effectiveness of the conversion, all partners of the converting limited partnership, except those that exercise dissenters' rights as provided in Article 7.6 (commencing with Section 15679.1), shall be deemed parties to any governing documents for the converted entity adopted as part of the plan of conversion, irrespective of whether or not the partner has executed the plan of conversion or the governing documents for the converted entity. Any adoption of governing documents made pursuant thereto shall be effective at the effective time or date of the conversion.

(d) Notwithstanding its prior approval, a plan of conversion may be amended before the conversion takes effect if the amendment is approved by all general partners of the converting limited partnership and, if the amendment changes any of the principal terms of the plan of conversion, the amendment is approved by the limited partners of the converting limited partnership in the same manner and to the same extent as required for the approval of the original plan of conversion.

(e) The general partners of a converting limited partnership may, by unanimous approval at any time before the conversion is effective, in their discretion, abandon a conversion, without further approval by the limited partners, subject to the contractual rights of third parties other than limited partners.

(f) The converted entity shall keep the plan of conversion at the principal place of business of the converted entity if the converted entity is a domestic partnership or foreign other business entity or at the office at which records are to be kept under Section 17057 if the converted entity is a domestic limited liability company. Upon the request of a partner of a converting limited partnership, the authorized person on behalf of the converted entity shall promptly deliver to the partner or the holder of interests or other securities, at the expense of the converted entity, a copy of the plan of conversion. A waiver by a partner of the rights provided in this subdivision shall be unenforceable.

15677.4. (a) A conversion into an other business entity, or a foreign limited partnership shall become effective upon the earliest date that all of the following occur:

(1) The approval of the plan of conversion by the partners of the converting limited partnership as provided in Section 15677.3.

(2) The filing of all documents required by law to create the converted entity, which documents shall also contain a statement of conversion, if required under Section 15677.6.

(3) The occurrence of the effective date, if set forth in the plan of conversion occurs.



(b) A copy of the statement of partnership authority or articles of organization complying with Section 15677.6, if applicable, duly certified by the Secretary of State, is conclusive evidence of the conversion of the limited partnership.

15677.5. (a) The conversion of a limited partnership into a foreign limited partnership or foreign other business entity shall be required to comply with Section 15677.2.

(b) If the limited partnership is converting into a foreign limited partnership or foreign other business entity, those conversion proceedings shall be in accordance with the laws of the state or place of organization of the foreign limited partnership or foreign other business entity and the conversion shall become effective in accordance with that law.

(c) (1) To enforce an obligation of a limited partnership that has converted to a foreign limited partnership or foreign other business entity, the Secretary of State shall only be the agent for service of process in an action or proceeding against that converted foreign entity, if the agent designated for the service of process for that entity is a natural person and cannot be found with due diligence or if the agent is a corporation and no person, to whom delivery may be made, may be located with due diligence, or if no agent has been designated and if no one of the officers, partners, managers, members, or agents of that entity may be located after diligent search, and it is so shown by affidavit to the satisfaction of the court. The court then may make an order that service be made by personal delivery to the Secretary of State or to an assistant or deputy Secretary of State of two copies of the process together with two copies of the order, and the order shall set forth an address to which the process shall be sent by the Secretary of State. Service in this manner is deemed complete on the 10th day after delivery of the process to the Secretary of State.

(2) Upon receipt of the process and order and the fee set forth in Section 12206 of the Government Code, the Secretary of State shall provide notice to that entity of the service of the process by forwarding by certified mail, return receipt requested, a copy of the process and order to the address specified in the order.

(3) The Secretary of State shall keep a record of all process served upon the Secretary of State and shall record therein the time of service and the Secretary of State's action with respect thereto. The certificate of the Secretary of State, under the Secretary of State's official seal, certifying to the receipt of process, the providing of notice thereof to that entity, and the forwarding of the process shall be competent and prima facie evidence of the matters stated therein.

15677.6. (a) Upon conversion of a limited partnership one of the following applies:

(1) If the limited partnership is converting into a domestic limited liability company, a statement of conversion shall be completed on the articles of organization for the converted entity.



(2) If the limited partnership is converting into a domestic partnership, a statement of conversion shall be completed on the statement of partnership authority for the converted entity, or if no statement of partnership authority is filed, then a certificate of conversion shall be filed separately.

(3) If the limited partnership is converting to a foreign limited partnership or foreign other business entity, a certificate of conversion shall be filed with the Secretary of State.

(b) Any certificate or statement of conversion shall be executed and acknowledged by all general partners, unless a lesser number is provided in the certificate of limited partnership, and shall set forth all of the following:

(1) The name and the Secretary of State's file number of the converting limited partnership.

(2) A statement that the principal terms of the plan of conversion were approved by a vote of the partners, which equaled or exceeded the vote required under Section 15677.3, specifying each class entitled to vote and the percentage vote required of each class.

(3) The form of organization of the converted entity.

(4) The mailing address of the converted entity's agent for service of process and the chief executive office of the converted entity.

(c) The filing with the Secretary of State of a certificate of conversion or a statement of partnership authority or articles of organization containing a statement of conversion as set forth in subdivision (a) shall have the effect of the filing of a certificate of cancellation by the converting limited partnership and no converting limited partnership that has made the filing is required to file a certificate of dissolution or a certificate of cancellation under Section 15623 as a result of that conversion.

15677.7. (a) Whenever a limited partnership or other business entity having any real property in this state converts into a limited partnership or an other business entity pursuant to the laws of this state or of the state or place in which the limited partnership or other business entity was organized, and the laws of the state or place of organization, including this state, of the converting limited partnership or other converting entity provide substantially that the conversion vests in the converted limited partnership or other converted entity all the real property of the converting limited partnership or other converting entity, the filing for record in the office of the county recorder of any county in this state in which any of the real property of the converting limited partnership or other converting entity is located of either (1) a certificate of conversion or statement of partnership authority, or a certificate of limited partnership or articles of organization complying with Section 15677.6, in the form prescribed and certified by the Secretary of State, or (2) a copy of a certificate of conversion or a statement of partnership authority, certificate of limited partnership, articles of



organization or other certificate evidencing the creation of a foreign other business entity or foreign limited partnership by conversion, containing a statement of conversion, certified by the Secretary of State or an authorized public official of the state or place pursuant to the laws of which the conversion is effected, shall evidence record ownership in the converted limited partnership or other converted entity of all interest of the converting limited partnership or other converting entity in and to the real property located in that county.

(b) A filed and, if appropriate, recorded certificate of conversion or a statement of partnership authority, certificate of limited partnership, articles of organization, or other certificate evidencing the creation of a foreign other business entity or foreign limited partnership by conversion, containing a statement of conversion, filed pursuant to subdivision (a) of Section 15677.6, stating the name of the converting limited partnership or other converting entity in whose name property was held before the conversion and the name of the converted entity or converted limited partnership, but not containing all of the other information required by Section 15677.6, operates with respect to the entities named to the extent provided in subdivision (a).

(c) Recording of a certificate of conversion, or a statement of partnership authority, certificate of limited partnership, articles of organization, or other certificate evidencing the creation of an other business entity or a limited partnership by conversion, containing a statement of conversion, in accordance with subdivision (a), shall create, in favor of bona fide purchasers or encumbrances for value, a conclusive presumption that the conversion was validly completed.

15677.8. (a) An other business entity or a foreign limited partnership may be converted to a domestic limited partnership pursuant to this article only if the converting entity is not prohibited by the laws under which it is organized to effect the conversion.

(b) An other business entity or a foreign limited partnership that desires to convert into a domestic limited partnership shall approve a plan of conversion or an instrument as is required to be approved to effect the conversion pursuant to the laws under which that entity is organized.

(c) The conversion of an other business entity or a foreign limited partnership shall be approved by the number or percentage of the partners, members, or holders of interest of the converting entity as is required by the law under which that entity is organized, or a greater or lesser percentage, subject to applicable laws, as set forth in the converting entity's partnership agreement, articles of organization, operating agreement, or other governing document.

(d) The conversion by an other business entity or a foreign limited partnership into a domestic limited partnership shall be effective under this article at the time the conversion is effective under the law under which the converting entity is organized as long as a certificate



of limited partnership has been filed with the Secretary of State. If the converting entity's governing law is silent as to the effectiveness of the conversion, the conversion shall be effective upon the completion of all acts required under this title to form a limited partnership.

15677.9. (a) An entity that converts into another entity pursuant to this article is for all purposes the same entity that existed before the conversion.

(b) Upon a conversion taking effect, all of the following apply:

(1) All the rights and property, whether real, personal, or mixed, of the converting entity or converting limited partnership are vested in the converted entity or converted limited partnership.

(2) All debts, liabilities, and obligations of the converting entity or converting limited partnership continue as debts, liabilities, and obligations of the converted entity or converted limited partnership.

(3) All rights of creditors and liens upon the property of the converting entity or converting limited partnership shall be preserved unimpaired and remain enforceable against the converted entity or converted limited partnership to the same extent as against the converting entity or converting limited partnership as if the conversion had not occurred.

(4) Any action or proceeding pending by or against the converting entity or converting limited partnership may be continued against the converted entity or converted limited partnership as if the conversion had not occurred.

(c) A partner of a converting limited partnership is liable for:

(1) All obligations of the conversion limited partnership for which the partner was personally liable before the conversion.

(2) All obligations of the converted entity incurred after the conversion takes effect, but those obligations may be satisfied only out of property of the entity if that partner is a limited partner, a shareholder in a corporation, or unless expressly provided otherwise in the articles of organization or other governing documents, a member of a limited liability company, or a holder of equity securities in an other converted entity if the holders of equity securities in that entity are not personally liable for the obligations of that entity under the law under which the entity is organized or its governing documents.

(d) A partner of a converted limited partnership remains liable for any and all obligations of the converting entity for which the partner was personally liable before the conversion, but only to the extent that the partner was liable for the obligations of the converting entity prior to the conversion.

(e) If the other party to a transaction with the limited partnership reasonably believes when entering the transaction that the limited partner is a general partner, the limited partner is liable for an obligation incurred by the limited partnership within 90 days after

the conversion takes effect. The limited partner's liability for all other obligations of the limited partnership incurred after the conversion takes effect is that of a limited partner.

SEC. 2. Section 15679.1 of the Corporations Code is amended to read:

15679.1. (a) For purposes of this article, "reorganization" refers to any of the following:

(1) A conversion pursuant to Article 7.4 (commencing with Section 15677.1).

(2) A merger pursuant to Article 7.5 (commencing with Section 15678.1).

(3) The acquisition by one limited partnership in exchange, in whole or in part, for its partnership interests (or the partnership interests or equity securities of a partnership or other business entity that is in control of the acquiring limited partnership) of partnership interests or equity securities of another limited partnership or other business entity if, immediately after the acquisition, the acquiring limited partnership has control of the other limited partnership or other business entity.

(4) The acquisition by one limited partnership in exchange in whole or in part for its partnership interests (or the partnership interests or equity securities of a partnership or other business entity which is in control of the acquiring limited partnership) or for its debt securities (or debt securities of a limited partnership or other business entity which is in control of the acquiring limited partnership) which are not adequately secured and which have a maturity date in excess of five years after the consummation of the acquisition, or both, of all or substantially all of the assets of another limited partnership or other business entity.

(b) For purposes of this article, "control" means the possession, direct or indirect, of the power to direct or cause the direction of the management and policies of a limited partnership or other business entity.

SEC. 3. Section 16101 of the Corporations Code is amended to read:

16101. As used in this chapter, the following terms and phrases have the following meanings:

(1) "Business" includes every trade, occupation, and profession.

(2) "Debtor in bankruptcy" means a person who is the subject of either of the following:

(A) An order for relief under Title 11 of the United States Code or a comparable order under a successor statute of general application.

(B) A comparable order under federal, state, or foreign law governing insolvency.



(3) “Distribution” means a transfer of money or other property from a partnership to a partner in the partner’s capacity as a partner or to the partner’s transferee.

(4) (A) “Foreign limited liability partnership” means a partnership, other than a limited partnership, formed pursuant to an agreement governed by the laws of another jurisdiction and denominated or registered as a limited liability partnership or registered limited liability partnership under the laws of that jurisdiction (i) in which each partner is a licensed person or a person licensed or authorized to provide professional limited liability partnership services in a jurisdiction or jurisdictions other than this state, (ii) which is licensed under the laws of the state to engage in the practice of architecture, the practice of public accountancy, or the practice of law, or (iii) which (I) is related to a registered limited liability partnership that practices public accountancy or, to the extent permitted by the State Bar, practices law or is related to a foreign limited liability partnership and (II) provides services related or complementary to the professional limited liability partnership services provided by, or provides services or facilities to, that registered limited liability partnership or foreign limited liability partnership.

(B) For the purposes of clause (iii) of subparagraph (A), a partnership is related to a registered limited liability partnership or foreign limited liability partnership if (i) at least a majority of the partners in one partnership are also partners in the other partnership, or (ii) at least a majority in interest in each partnership hold interests in or are members of another person, except an individual, and each partnership renders services pursuant to an agreement with that other person, or (iii) one partnership, directly or indirectly through one or more intermediaries, controls, is controlled by, or is under common control with, the other partnership.

(5) “Licensed person” means any person who is duly licensed, authorized, or registered under the provisions of the Business and Professions Code to provide professional limited liability partnership services or who is lawfully able to render professional limited liability partnership services in this state.

(6) (A) “Registered limited liability partnership” means a partnership, other than a limited partnership, formed pursuant to an agreement governed by Article 10 (commencing with Section 16951), that is registered under Section 16953 and (i) each of the partners of which is a licensed person or a person licensed or authorized to provide professional limited liability partnership services in a jurisdiction or jurisdictions other than this state, (ii) is licensed under the laws of the state to engage in the practice of architecture, practice of public accountancy, or the practice of law, or (iii)(I) is related to a registered limited liability partnership that



practices public accountancy or, to the extent permitted by the State Bar, practices law or is related to a foreign limited liability partnership and (II) provides services related or complementary to the professional limited liability partnership services provided by, or provides services or facilities to, that registered limited liability partnership or foreign limited liability partnership.

(B) For the purposes of clause (iii) of subparagraph (A), a partnership is related to a registered limited liability partnership or foreign limited liability partnership if (i) at least a majority of the partners in one partnership are also partners in the other partnership, or (ii) at least a majority in interest in each partnership hold interests in or are members of another person, other than an individual, and each partnership renders services pursuant to an agreement with that other person, or (iii) one partnership, directly or indirectly through one or more intermediaries, controls, is controlled by, or is under common control with, the other partnership.

(7) “Partnership” means an association of two or more persons to carry on as coowners a business for profit formed under Section 16202, predecessor law, or comparable law of another jurisdiction, and includes, for all purposes of the laws of this state, a registered limited liability partnership, and excludes any partnership formed under Chapter 2 (commencing with Section 15501) or Chapter 3 (commencing with Section 15611).

(8) “Partnership agreement” means the agreement, whether written, oral, or implied, among the partners concerning the partnership, including amendments to the partnership agreement.

(9) “Partnership at will” means a partnership in which the partners have not agreed to remain partners until the expiration of a definite term or the completion of a particular undertaking.

(10) “Partnership interest” or “partner’s interest in the partnership” means all of a partner’s interests in the partnership, including the partner’s transferable interest and all management and other rights.

(11) “Person” means an individual, corporation, business trust, estate, trust, partnership, limited partnership, limited liability partnership, limited liability company, association, joint venture, government, governmental subdivision, agency, or instrumentality, or any other legal or commercial entity.

(12) “Professional limited liability partnership services” means the practice of architecture, the practice of public accountancy, or the practice of law.

(13) “Property” means all property, real, personal, or mixed, tangible or intangible, or any interest therein.

(14) “State” means a state of the United States, the District of Columbia, the Commonwealth of Puerto Rico, or any territory or insular possession subject to the jurisdiction of the United States.

(15) “Statement” means a statement of partnership authority under Section 16303, a statement of denial under Section 16304, a statement of dissociation under Section 16704, a statement of dissolution under Section 16805, a statement of conversion or a certificate of conversion under Section 16906, a statement of merger under Section 16915, or an amendment or cancellation of any of the foregoing.

(16) “Transfer” includes an assignment, conveyance, lease, mortgage, deed, and encumbrance.

(17) The inclusion of the practice of architecture as a professional limited liability partnership service permitted by this section shall extend only until January 1, 2002.

SEC. 4. Section 16901 of the Corporations Code is amended to read:

16901. In this article, the following terms have the following meanings:

(1) “Constituent other business entity” means any other business entity that is merged with or into one or more partnerships and includes a surviving other business entity.

(2) “Constituent partnership” means a partnership that is merged with or into one or more other partnerships or other business entities and includes a surviving partnership.

(3) “Disappearing other business entity” means a constituent other business entity that is not the surviving other business entity.

(4) “Disappearing partnership” means a constituent partnership that is not the surviving partnership.

(5) “Domestic” means organized under the laws of this state when used in relation to any partnership, other business entity, or person (other than an individual).

(6) “Foreign other business entity” means any other business entity formed under the laws of any state other than this state or under the laws of the United States or of a foreign country.

(7) “Foreign partnership” means a partnership formed under the laws of any state other than this state or under the laws of a foreign country.

(8) “General partner” means a partner in a partnership and a general partner in a limited partnership.

(9) “Limited liability company” means a limited liability company created under Title 2.5 (commencing with Section 17000), or comparable law of another jurisdiction.

(10) “Limited partner” means a limited partner in a limited partnership.

(11) “Limited partnership” means a limited partnership created under Chapter 3 (commencing with Section 15611), predecessor law, or comparable law of another jurisdiction.

(12) “Other business entity” means a limited partnership, limited liability company, corporation, business trust, real estate investment



trust, or an unincorporated association (other than a nonprofit association), but excluding a partnership.

(13) “Partner” includes both a general partner and a limited partner.

(14) “Surviving other business entity” means an other business entity into which one or more partnerships are merged.

(15) “Surviving partnership” means a partnership into which one or more other partnerships or other business entities are merged.

SEC. 5. Section 16903 of the Corporations Code is amended to read:

16903. (a) A partnership that desires to convert to a domestic limited partnership or limited liability company or foreign other business entity shall approve a plan of conversion. The plan of conversion shall state the following:

(1) The terms and conditions of the conversion.

(2) The place of the organization of the converted entity and of the converting partnership and the name of the converted entity after conversion, if different from that of the converting partnership.

(3) The manner of converting the partnership interests of each of the partners into securities of or interests in the converted entity.

(4) The provisions of the governing document for the converted entity, such as a limited partnership agreement or limited liability company articles of organization and operating agreement, to which the holders of interest in the converted entity are to be bound.

(5) Any other details or provisions as are required by laws under which the converted entity is organized.

(6) Any other details or provisions that are desired.

(b) The plan of conversion shall be approved by that number or percentage of partners required by the partnership agreement to approve a conversion of the partnership as set forth in the partnership agreement. If the partnership agreement fails to specify the required partner approval for a conversion of the partnership, the plan of conversion shall be approved by that number or percentage of partners required by the partnership agreement to approve an amendment to the partnership agreement unless the conversion effects a change for which the partnership agreement requires a greater number or percentage of partners than that required to amend the partnership agreement, in which case the plan of conversion shall be approved by that greater number or percentage. If the partnership agreement fails to specify the vote required to amend the partnership agreement, the plan of conversion shall be approved by all partners.

(c) If the partnership is converting into a limited partnership, in addition to the approval of the partners as set forth in subdivision (b), the plan of conversion shall be approved by all partners who will become general partners of the converted limited partnership pursuant to the plan of conversion.



(d) All partners of the converting partnership except those that dissociate upon effectiveness of the conversion pursuant to subdivision (e) of Section 16909 shall be deemed parties to any partnership or operating or organic document for the converted entity adopted as part of the plan of conversion, regardless of whether that partner has executed the plan of conversion or the operating or partnership agreement or other organic document for the converted entity. Any adoption of a new partnership, operating agreement, or other organic document made pursuant to the foregoing sentence shall be effective at the effective time or date of the conversion.

(e) Notwithstanding its prior approval, a plan of conversion may be amended before the conversion takes effect if the amendment is approved by the partnership in the same manner, and by the same number or percentage of partners, as was required for approval of the original plan of conversion.

(f) The partners of a converting partnership may, at any time before the conversion is effective, in their discretion, abandon a conversion, without further approval by the partners, in the same manner, and by the same number or percentage of partners, as was required for approval of the original plan of conversion at any time before the conversion is effective, subject to the contractual rights of third parties.

(g) The converted entity shall keep the plan of conversion at: (1) the principal place of business of the converted entity, if the converted entity is a foreign other business entity; or (2) the office at which records are to be kept under Section 15614 if the converted entity is a domestic limited partnership, or at the office at which records are to be kept under Section 17057 if the converted entity is a domestic limited liability company. Upon the request of a partner of a converting partnership, the authorized person on behalf of the converted entity shall promptly deliver to the partner or the holder of interests or other securities, at the expense of the converted entity, a copy of the plan of conversion. A waiver by a partner of the rights provided in this subdivision shall be unenforceable.

SEC. 6. Section 16905 of the Corporations Code is amended to read:

16905. (a) The conversion of a partnership into a foreign other business entity shall comply with Section 16902.

(b) If the partnership is converting into a foreign other business entity, then the conversion proceedings shall be in accordance with the laws of the state or place of organization of the foreign other business entity and the conversion shall become effective in accordance with that law.

(c) (1) Unless a statement of conversion has been filed to effect the conversion, the converted foreign partnership or foreign other business entity shall promptly notify the Secretary of State of the

mailing address of its agent for service of process, its chief executive office, and of any change of address. To enforce an obligation of a partnership that has converted to a foreign partnership or foreign other business entity, the Secretary of State shall only be the agent for service of process in an action or proceeding against the converted foreign partnership or foreign other business entity, if the agent designated for the service of process for that entity is a natural person and cannot be found with due diligence or if the agent is a corporation and no person, to whom delivery may be made, may be located with due diligence, or if no agent has been designated and if no one of the officers, partners, managers, members, or agents of that entity may be located after diligent search, and it is so shown by affidavit to the satisfaction of the court. The court then may make an order that service be made by personal delivery to the Secretary of State or to an assistant or deputy Secretary of State of two copies of the process together with two copies of the order, and the order shall set forth an address to which the process shall be sent by the Secretary of State. Service in this manner is deemed complete on the 10th day after delivery of the process to the Secretary of State.

(2) Upon receipt of the process and order and the fee set forth in Section 12206 of the Government Code, the Secretary of State shall provide notice to the entity of the service of the process by forwarding by certified mail, return receipt requested, a copy of the process and order to the address specified in the order.

(3) The Secretary of State shall keep a record of all process served upon the Secretary of State and shall record therein the time of service and the Secretary of State's action with respect thereto. The certificate of the Secretary of State, under the Secretary of State's official seal, certifying to the receipt of process, the providing of notice thereof to the entity, and the forwarding of the process, shall be competent and prima facie evidence of the matters stated therein.

SEC. 7. Section 16906 of the Corporations Code is amended to read:

16906. (a) If the converting partnership has filed a statement of partnership authority under Section 16303 that is effective at the time of the conversion, then upon conversion to a domestic limited partnership or limited liability company, the certificate of limited partnership or articles of organization filed by the converted entity, as applicable, shall contain a statement of conversion, in that form as may be prescribed by the Secretary of State. If the converting partnership has not filed a statement of partnership authority under Section 16303 that is effective at the time of the conversion, upon conversion to a domestic limited partnership or limited liability company, the converted entity may, but is not required to file, on its certificate of limited partnership or articles of organization, a statement of conversion. A statement of conversion shall set forth all of the following:



(1) The name and the Secretary of State's file number, if any, of the converting partnership.

(2) A statement that the principal terms of the plan of conversion were approved by a vote of the partners, which equaled or exceeded the vote required under Section 16903.

(b) A partnership converting to a foreign other business entity that has filed a statement of partnership authority under Section 16303 that is effective at the time of conversion may file a certificate of conversion with the Secretary of State. The certificate of conversion shall contain the following:

(1) The names of the converting partnership and the converted entity.

(2) The street address of the converted entity's chief executive office and of an office in this state, if any.

(3) The form of organization of the converted entity.

(c) The filing with the Secretary of State of a certificate of limited partnership or articles of organization containing a statement of conversion as set forth in subdivision (a) or a certificate of conversion filed pursuant to subdivision (b) shall have the effect of the filing of a cancellation by the converting partnership of any statement of partnership authority filed by it.

SEC. 8. Section 16907 of the Corporations Code is amended to read:

16907. (a) Whenever a partnership or other business entity having any real property in this state converts into a partnership or an other business entity pursuant to the laws of this state or of the state or place in which the other business entity was organized, and the laws of the state or place of organization (including this state) of the converting partnership or other business entity provide substantially that the conversion of a converting entity vests in the converted partnership or other business entity all the real property of the converting partnership or converting other business entity, the filing for record in the office of the county recorder of any county in this state in which any of the real property of the converting partnership or converting other business entity is located of either (1) a certificate of conversion or a certificate of limited partnership or articles of organization complying with Section 16906, in such form as prescribed by the Secretary of State, certified by the Secretary of State, or (2) a copy of a certificate of conversion, or a certificate of limited partnership, articles of organization, or other certificate evidencing the creation of a foreign other business entity by conversion, containing a statement of conversion, certified by the Secretary of State or an authorized public official of the state or place pursuant to the laws of which the conversion is effected, shall evidence record ownership in the converted partnership or converted other business entity of all interest of the converting



partnership or converting other business entity in and to the real property located in that county.

(b) A filed and, if appropriate, recorded certificate of conversion, certificate of limited partnership, articles of organization, or other certificate evidencing the creation of an other business entity by conversion, containing a statement of conversion, executed and declared to be accurate pursuant to subdivision (c) of Section 16105, stating the name of the converting partnership or converting other business entity in whose name property was held before the conversion and the name of the converted entity, but not containing all of the other information required by Section 16906, operates with respect to the entities named to the extent provided in subdivision (a).

(c) Recording of a certificate of conversion, or a certificate of limited partnership, articles of organization, or other certificate evidencing the creation of another business entity by conversion, containing a statement of conversion, in accordance with paragraph (1) of Section 16902 shall create, in favor of bona fide purchasers or encumbrancers for value, a conclusive presumption that the conversion was validly completed.

SEC. 9. Section 16911 of the Corporations Code is amended to read:

16911. (a) Each partnership and other business entity which desires to merge shall approve an agreement of merger. The agreement of merger shall be approved by the number or percentage of partners specified for merger in the partnership agreement of the constituent partnership. If the partnership agreement fails to specify the required partner approval for merger of the constituent partnership, then the agreement of merger shall be approved by that number or percentage of partners specified by the partnership agreement to approve an amendment to the partnership agreement. However, if the merger effects a change for which the partnership agreement requires a greater number or percentage of partners than that required to amend the partnership agreement, then the merger shall be approved by that greater number or percentage. If the partnership agreement contains no provision specifying the vote required to amend the partnership agreement, then the agreement of merger must be approved by all the partners. The agreement of merger shall be approved on behalf of each constituent other business entity by those persons required to approve the merger by the laws under which it is organized. Other persons may be parties to the agreement of merger. The agreement of merger shall state all of the following:

(1) The terms and conditions of the merger.

(2) The name and place of organization of the surviving partnership or surviving other business entity, and of each disappearing partnership and disappearing other business entity, and



the agreement of merger may change the name of the surviving partnership, which new name may be the same as or similar to the name of a disappearing partnership.

(3) The manner of converting the partnership interests of each of the constituent partnerships into interests or other securities of the surviving partnership or surviving other business entity, and if partnership interests of any of the constituent partnerships are not to be converted solely into interest or other securities of the surviving partnership or surviving other business entity, the cash, property, rights, interests, or securities which the holders of the partnership interest are to receive in exchange for the partnership interests, which cash, property, rights, interests, or securities may be in addition to or in lieu of interests of other securities of the surviving partnership or surviving other business entity, or that the partnership interests are canceled without consideration.

(4) Any other details or provisions as are required by the laws under which any constituent other business entity is organized.

(5) Any other details or provisions that are desired, including, without limitation, a provision for the treatment of fractional partnership interests.

(b) If the partnership is merging into a limited partnership, then in addition to the approval of the partners as set forth under subdivision (a), the agreement of merger must be approved by all partners who will become general partners of the surviving limited partnership upon the effectiveness of the merger.

(c) Notwithstanding its prior approval, an agreement of merger may be amended before the merger takes effect if the amendment is approved by the partners of each constituent partnership, in the same manner as required for approval of the original agreement of merger, and by each of the constituent other business entities.

(d) The partners of a constituent partnership may in their discretion, abandon a merger, subject to the contractual rights, if any, of third parties, including other constituent partnerships and constituent other business entities, if the abandonment is approved by the partners of the constituent partnership in the same manner as required for approval of the original agreement of merger.

(e) An agreement of merger approved in accordance with subdivision (a) may (1) effect any amendment to the partnership agreement of any domestic constituent partnership or (2) effect the adoption of a new partnership agreement for a domestic constituent partnership if it is the surviving partnership in the merger. Any amendment to a partnership agreement or adoption of a new partnership agreement made pursuant to the foregoing sentence shall be effective at the effective time or date of the merger.

(f) The surviving partnership or surviving other business entity shall keep the agreement of merger at the principal place of business of the surviving entity if the surviving entity is a partnership or a



foreign other business entity, at the office referred to in Section 1500 if the surviving entity is a domestic corporation, at the office referred to in subdivision (a) of Section 15614 if the surviving entity is a domestic limited partnership, or at the office referred to in Section 17057 if the surviving entity is a domestic limited liability company and, upon the request of a partner of a constituent partnership or a holder of interests or other securities of a constituent other business entity, the authorized person on behalf of the partnership or the surviving other business entity shall promptly deliver to the partner or the holder of interests or other securities, at the expense of the surviving partnership or surviving other business entity, a copy of the agreement of merger. A waiver by a partner or holder of interests or other securities of the rights provided in this subdivision shall be unenforceable.

SEC. 10. Section 16914 of the Corporations Code is amended to read:

16914. (a) When a merger takes effect, all of the following apply:

(1) The separate existence of the disappearing partnerships and disappearing other business entities ceases and the surviving partnership or surviving other business entity shall succeed, without other transfer, act or deed, to all the rights and property whether real, personal, or mixed, of each of the disappearing partnerships and disappearing other business entities and shall be subject to all the debts and liabilities of each in the same manner as if the surviving partnership or surviving other business entity had itself incurred them.

(2) All rights of creditors and all liens upon the property of each of the constituent partnerships and constituent other business entities shall be preserved unimpaired and may be enforced against the surviving partnership or the surviving other business entity to the same extent as if the debt, liability, or duty that gave rise to that lien had been incurred or contracted by it, provided that the liens upon the property of a disappearing partnership or disappearing other business entity shall be limited to the property affected thereby immediately prior to the time the merger is effective.

(3) Any action or proceeding pending by or against any disappearing partnership or disappearing other business entity may be prosecuted to judgment, which shall bind the surviving partnership or surviving other business entity, or the surviving partnership or surviving other business entity may be proceeded against or be substituted in the disappearing partnership's or the disappearing other business entity's place.

(b) (1) Unless a certificate of merger has been filed to effect the merger, the surviving foreign entity shall promptly notify the Secretary of State of the mailing address of its agent for service of process, its chief executive office, and of any change of address. To enforce an obligation of a partnership that has merged with a foreign



partnership or foreign other business entity, the Secretary of State shall only be the agent for service of process in an action or proceeding against the surviving foreign partnership or foreign other business entity, if the agent designated for the service of process for that entity is a natural person and cannot be located with due diligence or if the agent is a corporation and no person, to whom delivery may be made, can be located with due diligence, or if no agent has been designated and if no one of the officers, partners, managers, members, or agents of the entity can be located after diligent search, and it is so shown by affidavit to the satisfaction of the court. The court then may make an order that service be made by personal delivery to the Secretary of State or to an assistant or deputy Secretary of State of two copies of the process together with two copies of the order, and the order shall set forth an address to which the process shall be sent by the Secretary of State. Service in this manner is deemed complete on the 10th day after delivery of the process to the Secretary of State.

(2) Upon receipt of the process and order and the fee set forth in Section 12206 of the Government Code, the Secretary of State shall provide notice to the entity of the service of the process by forwarding by certified mail, return receipt requested, a copy of the process and order to the address specified in the order.

(3) The Secretary of State shall keep a record of all process served upon the Secretary of State and shall record therein the time of service and the Secretary of State's action with respect thereto. The certificate of the Secretary of State, under the Secretary of State's official seal, certifying to the receipt of process, the providing of notice thereof to the entity, and the forwarding of the process, shall be competent and prima facie evidence of the matters stated therein.

(c) A partner of the surviving partnership or surviving limited partnership, a member of the surviving limited liability company, a shareholder of the surviving corporation, or a holder of equity securities of the surviving other business entity is liable for all of the following:

(1) All obligations of a party to the merger for which that person was personally liable before the merger.

(2) All other obligations of the surviving entity incurred before the merger by a party to the merger, but those obligations may be satisfied only out of property of the entity.

(3) All obligations of the surviving entity incurred after the merger takes effect, but those obligations may be satisfied only out of property of the entity if that person is a limited partner, a shareholder in a corporation, or, unless expressly provided otherwise in the articles of organization or other governing documents, a member of a limited liability company or a holder of equity securities in a surviving other business entity.



(d) If the obligations incurred before the merger by a party to the merger are not satisfied out of the property of the surviving partnership or surviving other business entity, the general partners of that party immediately before the effective date of the merger, to the extent such party was a partnership or a limited partnership, shall contribute the amount necessary to satisfy that party's obligations to the surviving entity, in the manner provided in Section 16807 or in the limited partnership act of the jurisdiction in which the party was formed, as the case may be, as if the merged party were dissolved.

(e) A partner of a domestic disappearing partnership, who does not vote in favor of the merger and does not agree to become a partner, member, shareholder, or holder of interest or equity securities of the surviving partnership or surviving other business entity shall have the right to dissociate from the partnership, as of the date the merger takes effect. Within 10 days after the approval of the merger by the partners as required under this article, each domestic disappearing partnership shall send notice of the approval of the merger to each partner that has not approved the merger, accompanied by a copy of Section 16701 and a brief description of the procedure to be followed under that section if the partner wishes to dissociate from the partnership. A partner that desires to dissociate from a disappearing partnership shall send written notice of such dissociation within 30 days after the date of the notice of the approval of the merger. The disappearing partnership shall cause the partner's interest in the entity to be purchased under Section 16701. The surviving entity is bound under Section 16702 by an act of a general partner dissociated under this subdivision, and the partner is liable under Section 16703 for transactions entered into by the surviving entity after the merger takes effect. The dissociation of a partner in connection with a merger pursuant to the terms of this subdivision shall not be deemed a wrongful disassociation under Section 16602.

SEC. 11. Section 16915 of the Corporations Code is amended to read:

16915. (a) In a merger involving only partnerships, or in a merger to which a domestic partnership and an other business entity is a party but in which no other domestic other business entity is a party, the surviving partnership or surviving foreign other business entity may file with the Secretary of State a statement that one or more partnerships have merged into the surviving partnership or surviving other business entity. A statement of merger shall contain the following:

(1) The name of each partnership or other business entity that is a party to the merger.

(2) The name of the surviving entity into which the other partnerships or other business entities were merged.

(3) The street address of the surviving entity's chief executive office and of an office in this state, if any.



(4) Whether the surviving entity is a partnership or an other business entity, specifying the type of the entity.

(b) In a merger involving a domestic partnership in which a domestic other business entity is also a party, after approval of the merger by the constituent partnerships and any constituent other business entities, the constituent partnerships and constituent other business entities shall file a certificate of merger in the office of but on a form prescribed by, the Secretary of State, and if the surviving entity is a domestic corporation or a foreign corporation in a merger in which a domestic corporation is a constituent party, the surviving corporation shall file in the office of the Secretary of State a copy of the agreement of merger and attachments required pursuant to paragraph (1) of subdivision (g) of Section 1113. The certificate of merger shall be executed and acknowledged by each domestic constituent partnership by two partners (unless a lesser number is provided in the partnership agreement) and by each foreign constituent partnership by one or more partners, and by each constituent other business entity by those persons required to execute the certificate of merger by the laws under which the constituent other business entity is organized. The certificate of merger shall set forth all of the following:

(1) The names and the Secretary of State's file numbers, if any, of each of the constituent partnerships and constituent other business entities, separately identifying the disappearing partnerships and disappearing other business entities and the surviving partnership or surviving other business entity.

(2) If a vote of the partners was required under Section 16911, a statement that the principal terms of the agreement of merger were approved by a vote of the partners, which equaled or exceeded the vote required.

(3) If the surviving entity is a domestic partnership and not an other business entity, any change to the information set forth in any filed statement of partnership authority of the surviving partnership resulting from the merger, including any change in the name of the surviving partnership resulting from the merger. The filing of a certificate of merger setting forth any changes to any filed statement of partnership authority of the surviving partnership shall have the effect of the filing of a certificate of amendment of the statement of partnership authority by the surviving partnership, and the surviving partnership need not file a certificate of amendment under Section 16015 to reflect those changes.

(4) The future effective date or time (which shall be a date or time certain not more than 90 days subsequent to the date of filing) of the merger, if the merger is not to be effective upon the filing of the certificate of merger with the office of the Secretary of State.

(5) If the surviving entity is an other business entity or a foreign partnership, the full name, type of entity, legal jurisdiction in which



the entity was organized and by whose laws its internal affairs are governed, and the address of the principal place of business of the entity.

(6) Any other information required to be stated in the certificate of merger by the laws under which each constituent other business entity is organized.

(c) A statement of merger or a certificate of merger, as is applicable under subdivision (a) or (b), shall have the effect of the filing of a cancellation for each disappearing partnership of any statement of partnership authority filed by it.

SEC. 12. Section 16916 of the Corporations Code is amended to read:

16916. (a) Whenever a domestic or foreign partnership or other business entity having any real property in this state merges with another partnership or other business entity pursuant to the laws of this state or of the state or place in which any constituent partnership or constituent other business entity was organized, and the laws of the state or place of organization (including this state) of any disappearing partnership or disappearing other business entity provide substantially that the making and filing of a statement of merger, agreement of merger, or certificate of merger vests in the surviving partnership or surviving other business entity all the real property of any disappearing partnership and disappearing other business entity, the filing for record in the office of the county recorder of any county in this state in which any of the real property of the disappearing partnership or disappearing other business entity is located of either (1) a certificate of merger or agreement of merger certified by the Secretary of State, or other certificate prescribed by the Secretary of State, or (2) a copy of the statement of merger, agreement of merger, or certificate of merger, certified by the Secretary of State or an authorized public official of the state or place pursuant to the laws of which the merger is effected, shall evidence record ownership in the surviving partnership or surviving other business entity of all interest of such disappearing partnership or disappearing other business entity in and to the real property located in that county.

(b) A filed and, if appropriate, recorded statement of merger, executed and declared to be accurate pursuant to subdivision (c) of Section 16105, stating the name of a partnership or other business entity that is a party to the merger in whose name property was held before the merger and the name of the surviving entity, but not containing all of the other information required by Section 16915, operates with respect to the partnerships or other business entities named to the extent provided in subdivision (a).

(c) Recording of the certificate of merger in accordance with subdivision (a) shall create, in favor of bona fide purchasers or



encumbrancers for value, a conclusive presumption that the merger was validly completed.

SEC. 13. Chapter 11.5 (commencing with Section 17540.1) is added to Title 2.5 of the Corporations Code, to read:

CHAPTER 11.5. CONVERSION

17540.1. For purposes of this chapter, the following definitions shall apply:

(a) “Converted entity” means the other business entity or foreign limited liability company that results from a conversion of a domestic limited liability company under this chapter.

(b) “Converted limited liability company” means a domestic limited liability company that results from a conversion of an other business entity or a foreign limited liability company pursuant to Section 17540.8.

(c) “Converting limited liability company” means a domestic limited liability company that converts to an other business entity or a foreign limited liability company pursuant to this chapter.

(d) “Converting entity” means an other business entity or foreign limited liability company that converts to a domestic limited liability company pursuant to the terms of Section 17540.8.

17540.2. A limited liability company may be converted into an other business entity or a foreign limited liability company pursuant to this chapter if, pursuant to the proposed conversion, each of the members of the converting limited liability company would receive a percentage interest in profits and capital of the converted entity equal to that member’s percentage interest in profits and capital of the converting limited liability company as of the effective time of the conversion. Notwithstanding this section, the conversion of a limited liability company to an other business entity or a foreign limited liability company may be effected only if both of the following conditions are complied with:

(a) The law under which the converted entity will exist expressly permits the formation of that entity pursuant to a conversion.

(b) The limited liability company complies with any and all other requirements of any other law that applies to conversion to the converted entity.

17540.3. (a) A limited liability company that desires to convert to an other business entity or a foreign limited liability company shall approve a plan of conversion.

The plan of conversion shall state all of the following:

(1) The terms and conditions of the conversion.

(2) The place of the organization of the converted entity and of the converting limited liability company and the name of the converted entity after conversion.



(3) The manner of converting the membership interests of each of the members into securities of, or interests in, the converted entity.

(4) The provisions of the governing documents for the converted entity, including the partnership agreement, to which the holders of interests in the converted entity are to be bound.

(5) Any other details or provisions that are required by the laws under which the converted entity is organized, or that are desired by the parties.

(b) The plan of conversion shall be approved by a vote of a majority in interest of the members of the converting limited liability company, or a greater percentage of the voting interests of members as may be specified in the articles of organization or written operating agreement of the converting limited liability company. However, if the members of the limited liability company would become personally liable for any obligations of the converted entity as a result of the conversion, the plan of conversion shall be approved by all of the members of the converting limited liability company, unless the plan of conversion provides that all members will have dissenters' rights as provided in Chapter 13 (commencing with Section 17600).

(c) If the limited liability company is converting into a limited partnership, then in addition to the approval of the members set forth in subdivision (b), the plan of conversion shall be approved by those members who will become general partners of the converted limited partnership pursuant to the plan of conversion.

(d) Upon the effectiveness of the conversion, all members of the converting limited liability company, except those that exercise dissenters' rights as provided in Chapter 13 (commencing with Section 17600) shall be deemed parties to any governing documents for the converted entity adopted as part of the plan of conversion, irrespective of whether or not a member has executed the plan of conversion or such governing documents for the converted entity. Any adoption of governing documents made pursuant thereto shall be effective at the effective time or date of the conversion.

(e) Notwithstanding its prior approval, a plan of conversion may be amended before the conversion takes effect if the amendment is approved by the members of the converting limited liability company in the same manner as was required for approval of the original plan of conversion.

(f) A plan of conversion may be abandoned by the members of a converting limited liability company in the manner as required for approval of the plan of conversion, subject to the contractual rights of third parties, at any time before the conversion is effective.

(g) The converted entity shall keep the plan of conversion at the principal place of business of the converted entity if the converted entity is a domestic partnership or foreign other business entity or at the office at which records are to be kept under Section 15614 if the



converted entity is a domestic limited partnership. Upon the request of a member of a converting limited liability company, the authorized person on behalf of the converted entity shall promptly deliver to the member or the holder of interests or other securities, at the expense of the converted entity, a copy of the plan of conversion. A waiver by a member of the rights provided in this subdivision shall be unenforceable.

17540.4. (a) A conversion into an other business entity or a foreign limited liability company shall become effective upon the earliest date that all of the following occur:

(1) The approval of the plan of conversion by the members of the converting limited liability company as provided in Section 17540.3.

(2) The filing of all documents required by law to effect the conversion and create the converted entity, which documents shall also contain a statement of conversion, if required under Section 17540.6.

(3) The occurrence of the effective date, if set forth in the plan of conversion.

(b) A copy of the statement of partnership authority or certificate of limited partnership complying with Section 17540.6, if applicable, duly certified by the Secretary of State, is conclusive evidence of the conversion of the limited liability company.

17540.5. (a) The conversion of a limited liability company into a foreign other business entity or a foreign limited liability company shall be required in order to comply with Section 17540.2.

(b) If the limited liability company is converting into a foreign other business entity or a foreign limited liability company, those conversion proceedings shall be in accordance with the laws of the state or place of organization of the foreign other business entity or foreign limited liability company and the conversion shall become effective in accordance with that law.

(c) (1) To enforce an obligation of a limited liability company that has converted to a foreign limited liability company or foreign other business entity, the Secretary of State shall only be the agent for service of process in an action or proceeding against that converted foreign entity, if the agent designated for the service of process for the entity is a natural person and cannot be located with due diligence or if the agent is a corporation and no person, to whom delivery may be made, may be located with due diligence, or if no agent has been designated and if no one of the officers, partners, managers, members, or agents of that entity may be located after diligent search, and it is so shown by affidavit to the satisfaction of the court. The court then may make an order that service be made by personal delivery to the Secretary of State or to an assistant or deputy Secretary of State of two copies of the process together with two copies of the order, and the order shall set forth an address to which the process shall be sent by the Secretary of State. Service in this



manner is deemed complete on the 10th day after delivery of the process to the Secretary of State.

(2) Upon receipt of the process and order and the fee set forth in Section 12206 of the Government Code, the Secretary of State shall give notice to such entity of the service of the process by forwarding by certified mail, return receipt requested, a copy of the process and order to the address specified in the order.

(3) The Secretary of State shall keep a record of all process served upon the Secretary of State and shall record therein the time of service and the Secretary of State's action with respect thereto. The certificate of the Secretary of State, under the Secretary of State's official seal, certifying to the receipt of process, the giving of notice thereof to that entity, and the forwarding of the process, shall be competent and prima facie evidence of the matters stated therein.

17540.6. (a) Upon conversion of a limited liability company:

(1) If the limited liability company is converting into a domestic limited partnership, a statement of conversion shall be completed on the certificate of limited partnership for the converted entity.

(2) If the limited liability company is converting into a domestic partnership, a statement of conversion shall be completed on the statement of partnership authority for the converted entity, or if no statement of partnership authority is filed then a certificate of conversion shall be filed separately.

(3) If the limited liability company is converting into a foreign limited liability company or foreign other business entity, a certificate of conversion shall be filed with the Secretary of State.

(b) Any certificate or statement of conversion shall be executed and acknowledged by all of the managers, unless a lesser number is provided in the articles of organization or the operating agreement of the converting limited liability company, and shall set forth all of the following:

(1) The name and the Secretary of State's file number of the converting limited liability company.

(2) A statement that the principal terms of the plan of conversion were approved by a vote of the members, which equaled or exceeded the vote required under Section 17540.3, specifying each class entitled to vote and the percentage vote required of each class.

(3) The form of organization of the converted entity.

(c) The filing with the Secretary of State of a certificate of conversion or an organizational document containing a statement of conversion as set forth in subdivision (a) shall have the effect of the filing of a certificate of cancellation by the converting limited liability company and no converting limited liability company that has made the filing is required to file a certificate of dissolution or a certificate of cancellation under Section 17356 as a result of that conversion.

17540.7. (a) Whenever a limited liability company or other business entity having any real property in this state converts into a

limited liability company or an other business entity pursuant to the laws of this state or of the state or place in which the limited liability company or other business entity was organized, and the laws of the state or place of organization, including this state, of the converting limited liability company or other converting entity provide substantially that the conversion vests in the converted limited liability company or other converted entity all the real property of the converting limited liability company or other converting entity, the filing for record in the office of the county recorder of any county in this state in which any of the real property of the converting limited liability company or other converting entity is located of either (1) a certificate of conversion, statement of partnership authority, certificate of limited partnership, or articles of organization complying with Section 17540.6, in the form prescribed and certified by the Secretary of State, or (2) a copy of a certificate of conversion, or a statement of partnership authority, certificate of limited partnership, articles of organization, or other certificate evidencing the creation of a foreign other business entity or foreign limited liability company by conversion, containing a statement of conversion, certified by the Secretary of State or an authorized public official of the state or place pursuant to the laws of which the conversion is effected, shall evidence record ownership in the converted limited liability company or other converted entity of all interest of the converting limited liability company or other converting entity in and to the real property located in that county.

(b) A filed and, if appropriate, recorded certificate of conversion, or a statement of partnership authority, certificate of limited partnership or articles of organization or other certificate evidencing the formation of a foreign other business entity or a foreign limited liability company filed pursuant to Section 17540.6 containing a statement of conversion, stating the name of the converting limited liability company or other converting entity in whose name property was held before the conversion and the name of the converted entity or converted limited liability company, but not containing all of the other information required by Section 17540.6, operates with respect to the converted entities named to the extent provided in subdivision (a).

(c) Recording of a certificate of conversion or a statement of partnership authority, certificate of limited partnership or articles of organization, or other certificate evidencing the creation of an other business entity or a limited liability company by conversion, containing a statement of conversion, in accordance with subdivision (a), shall create, in favor of bona fide purchasers or encumbrances for value, a conclusive presumption that the conversion was validly completed.

17540.8. (a) An other business entity or foreign limited liability company may be converted to a domestic limited liability company



pursuant to this chapter only if the converting entity is not prohibited by the law under which it is organized to effect the conversion.

(b) An other business entity or a foreign limited liability company that desires to convert into a domestic limited liability company shall approve a plan of conversion or such instrument as is required to be approved to effect the conversion pursuant to the laws under which that entity is organized.

(c) The conversion of an other business entity or a foreign limited liability company shall be approved by that number or percentage of the partners, members, or holders of interest of the converting entity as is required by the law under which that entity is organized, or a greater or lesser percentage, subject to applicable laws, as set forth in the converting entity's partnership agreement, articles of organization, operating agreement, or other governing document.

(d) The conversion by an other business entity or foreign limited liability company shall be effective under this chapter at the time the conversion is effective under the law under which the converting entity is organized as long as the articles of organization have been filed with the Secretary of State. If the converting entity's governing law is silent as to the effectiveness of the conversion, the conversion shall be effective upon the completion of all acts required under this title to form a limited liability company.

17540.9. (a) An entity that converts into another entity pursuant to this chapter is for all purposes the same entity that existed before the conversion.

(b) Upon a conversion taking effect, all of the following apply:

(1) All the rights and property, whether real, personal, or mixed, of the converting entity or converting limited liability company are vested in the converted entity or converted limited liability company.

(2) All debts, liabilities, and obligations of the converting entity or converting limited liability company continue as debts, liabilities, and obligations of the converted entity or converted limited liability company.

(3) All rights of creditors and liens upon the property of the converting entity or converting limited liability company shall be preserved unimpaired and remain enforceable against the converted entity or converted limited liability company to the same extent as against the converting entity or converting limited liability company as if the conversion had not occurred.

(4) Any action or proceeding pending by or against the converting entity or converting limited liability company may be continued against the converted entity or converted limited liability company as if the conversion had not occurred.

(c) A member of a converting limited liability company is liable for:

(1) All obligations of the converting limited liability company for which the member was personally liable before the conversion.

(2) All obligations of the converted entity incurred after the conversion takes effect, but those obligations may be satisfied only out of property of the entity if that member is a limited partner, a shareholder in a corporation, or unless expressly provided otherwise in the articles of organization or other governing documents, a member of a converted limited liability company or a holder of equity securities in an other converted entity if the holders of equity securities in such entity are not personally liable for the obligations of such entity under the law under which that entity is organized or its governing documents.

(d) A member of a converted limited liability company remains liable for any and all obligations of the converting entity for which the member was personally liable before the conversion, but only to the extent that the member was personally liable for the obligations of the converting entity prior to the conversion.

(e) If the other party to a transaction with the limited liability company reasonably believes when entering the transaction that the limited liability company member is a general partner, the limited liability company member is liable for an obligation incurred by the limited liability company within 90 days after the conversion takes effect. The limited liability company member's liability for all other obligations of the limited liability company incurred after the conversion takes effect is that of a limited liability company member.

SEC. 14. Section 17600 of the Corporations Code is amended to read:

17600. (a) For purposes of this chapter, "reorganization" refers to any of the following:

(1) A conversion pursuant to Chapter 11.5 (commencing with Section 17540.1).

(2) A merger pursuant to Chapter 12 (commencing with Section 17550).

(3) The acquisition by one limited liability company, in exchange, in whole or part, for its membership interests (or the membership interests or equity securities of a limited liability company or other business entity that is in control of the acquiring limited liability company), of membership interests or equity securities of another limited liability company or other business entity if, immediately after the acquisition, the acquiring limited liability company has control of the other limited liability company or other business entity.

(4) The acquisition by one limited liability company in exchange in whole or in part for its membership interests (or the membership interests or equity securities of a limited liability company or other business entity that is in control of the acquiring limited liability company) or for its debt securities (or debt securities of a limited liability company or other business entity that is in control of the



acquiring limited liability company) that are not adequately secured and that have a maturity date in excess of five years after the consummation of the acquisition, or both, of all or substantially all of the assets of another limited liability company or other business entity.

(b) For purposes of this chapter, “control” means the possession, direct or indirect, of the power to direct or cause the direction of the management and policies of a limited liability company or other business entity.

